

EXHIBIT 3

DATE 02/15/13

HB 406

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Petro-Hunt, LLC stands in opposition to HB 406

Petro-Hunt, LLC has been active in MT since the 1960's and is a current top 10 producer.

Petro-Hunt is currently exploring for Red River vertical wells in the Dawson, Fallon and Sothern Richland County areas of MT. The average reserve range is 200,000 to 250,000 barrels of Oil per well. We have about a 1 in 3 chance of a dry hole so in a non-consent case we take on 100% of the risk in return for just over 60% of the reward (future discounted cashflow).

For our Red River wells Petro-Hunt needs a risked return-on-investment (ROI) of at least 2:1 (200% payout). Our current success rate in the Red River has been about 2 in 3 (67%) so the 200% risked ROI is equivalent to 3:1 (300% payout) un-risked ROI.

So for example if a 50% minerals owner goes non-consent it would take 200,000 Barrels un-risked to get a 2:1 ROI at the current 200% penalty, but it would take 250,000 Barrels un-risked to get the same ROI at the 50% penalty. An additional 50,000 Barrels un-risked needed to make the economics work with the reduced penalty rate. This is based on \$3.8 Million completed well cost and estimating a flat \$85 wellhead oil price.

As a result any well below 200,000 Barrels would not get drilled with a large non-consent interest even with the existing 200% penalty, but reducing the penalty to 50% increases that to wells with less than 250,000 Barrels would not get drilled. So that would pretty much wipe out most of our Red River drilling prospects that we have already spend Millions of dollars on 3-D Seismic, title, leasing and get ready to drill.

Currently the unleased mineral owner already gets preferential treatment by getting a cost free 1/8 royalty during the penalty period where as the non-consent lease owner gets nothing during the penalty period.

If you belief in the concept of the penalty to help to promote development than I don't see how you can justify treating on type of owner different from another on the penalty. Also consider that the operator of the proposed well has likely also spend a lot of time and money (3-D Seismic, geologic studies, title, leasing) to get the well to a drillable stage and yet the penalty only compensates them for the end product the actual drilling cost and equipment for the well.

A 50% penalty is not an incentive to participate or lease and I believe it will in fact encourage mineral owner to just go non-consent which sounds and looks good until they figure out that they are a full partner in the well which involves paying monthly bills for the operating expenses for the well and have all the risk and liability that goes with it including the plugging and reclamation costs when the well ceases to produce. Unless the party agrees to sign the Joint Operation Agreement (JOA) agreeing to be covered under the Operators insurance for the well the party would need to get their own insurance or they could be exposed to a huge liability risk.

Most mineral owners have very little knowledge about the Oil Industry so do you want to encourage them to get in over their head in a business relationship they aren't knowledgeable in?

Cutting the penalty in half could result in a lot of marginal or higher risk wells not getting drilled at all, and unfortunately that is mostly what is currently being drilled in MT. MT has many professional mineral owners with large mineral interest, if you have them non-consent with only a 50% penalty it could cause a large number of wells to not be drilled because of unfavorable economics. This would cause a hardship for the other mineral owners that did lease and want their minerals developed and would cause a loss to the State in the economic benefits from drilling activity and tax revenue.

Here is how the economics look for PHLLC and Dorchester for a 225 MBO well un-risked using the 150% penalty and 1/6 royalty:

	Petro-Hunt	Dorchester Non-Consent
WI / NRI Before 150% Payout:	100% / 85.41667%	0% / 8.33333%
WI / NRI After 150% Payout:	50% / 43.75%	50% / 50%
Net Investment:	\$3.8 Million	\$0
Undiscounted Net Cashflow:	\$3.2 Million	\$2.3 Million
Undiscounted ROI:	1.8 : 1	n.a.
Net Cashflow Disc. at 10%:	\$1.5 Million	\$1.2 Million
Discounted ROI:	1.5 : 1	n.a.

The above case would not get drilled because Petro-Hunt would have a risked ROI less than 2:1.

Here is what it looks like if Dorchester participates for their 50%:

	Petro-Hunt	Dorchester Participates
WI / NRI Before 150% Payout:	50% / 43.75%	50% / 50%
WI / NRI After 150% Payout:	50% / 43.75%	50% / 50%
Net Investment:	\$1.9 Million	\$1.9 Million
Undiscounted Net Cashflow:	\$2.4 Million	\$3.1 Million
Undiscounted ROI:	2.2 : 1	2.6 : 1
Net Cashflow Disc. at 10%:	\$1.1 Million	\$1.6 Million
Discounted ROI:	1.7 : 1	1.9 : 1

The economic return to Dorchester is much better than Petro-Hunt because they do not have the royalty burden.

The above case would get drilled because Petro-Hunt would have a risked ROI greater than 2:1.

Here is what it looks like if Dorchester leases at 1/8:

	Petro-Hunt	Dorchester Leases
WI / NRI Before 150% Payout:	100% / 87.5%	0% / 6.25%
WI / NRI After 150% Payout:	100% / 87.5%	0% / 6.25%
Net Investment:	\$3.8 Million	\$0
Undiscounted Net Cashflow:	\$4.7 Million	\$0.7 Million
Undiscounted ROI:	2.2 : 1	n.a.
Net Cashflow Disc. at 10%:	\$2.2 Million	\$0.5 Million
Discounted ROI:	1.7 : 1	n.a.

The above case would also get drilled because Petro-Hunt would have a risked ROI greater than 2:1.